

Town of Riverview

COUNCIL REPORT FORM



Presented to: Mayor and Town Council

Presented by: Parks, Recreation, Facilities & Community Relations

Date: June 24, 2024

Project #24-34: Riverview Recreation Complex Construction Tender Award

This report presents the findings and recommendations regarding the award of the construction tender for the Riverview Recreation Complex (RRC). It includes project background, procurement details, cost analysis, and the financial implications for the Town's long-term capital plan.

PROJECT BACKGROUND

Since 2012, the Riverview Recreation Complex has been a key priority for the Town Council, aiming to replace the aging PCM Aquatic Centre and develop year-round sustainable infrastructure. The project has faced several delays due to unsecured funding and revised asset management practices, with the current target completion date set for late 2026.

For context, the following is a list of previous project presentations and reports:

[Functional & Technical Program](#) (February 24, 2020)

- Requirements to meet service expectations; Class D estimates ($\pm 25\%$) of \$24M-\$40M

[Council Briefing - Functional Program](#) (February 24, 2020)

- Funding expectations; Overview of build methods and approaches

[Council Briefing – Project Update](#) (April 26, 2021)

- Update on government funding, fundraising committee and operational planning

[Council Briefing – Design Procurement](#) (March 28, 2022)

- Update on activities; Revised funding model based on requests (\$20.8M from government)

[Schematic Design Brief](#) (November 28, 2022)

- Revised facility schematics and site plan; Class C estimates ($\pm 15\%$) of \$37M-\$46M

[Design Development Update](#) (May 23, 2023)

- Stakeholder and trades integration; Class B estimates ($\pm 8\%$) of \$39M-\$46M

[Construction Documents](#) (November 14, 2023)

- Cost optimization, addition of skatepark and pool lanes; Class A estimate ($\pm 5\%$) of \$45.6M

[Proceed to Tender Update](#) (January 8, 2024)

- Decision to tender the project; Project budget of \$51.75M, updated with Class A estimates

PROCUREMENT PROCESS

The project roadmap identifies the key milestones where Council approval has been required on project parameters. The initial five milestones have been completed, with one (1) additional decision point remaining. Alongside the roadmap, various contracts have been awarded through the competitive bid process (preliminary design, prime design, project management, etc.).



Contractor Pre-qualification: to ensure a successful project delivery and quality construction, a pre-qualification process was conducted from September to November 2023 to assess the interest and capability of delivering the project successfully. Evaluation criteria consisted of: project understanding, corporate qualifications, project team experience, project delivery and comparable projects. Seven proponents submitted an expression of interest for the project and were scored by the project team. Four proponents were deemed eligible by the review committee. Generally, there was a mixture of local/national firms in both qualified and non-qualified groups.

Project Tender: A competitive procurement process was undertaken over a period of ten weeks, commencing at the end of February 2024, requesting eligible proponents to submit a fixed cost bid for the construction of the complex. During the tender period, four general contractors initially expressed interest and over 300 *requests for information* were posed to the project team. The tender period closed on May 10, 2024 with two (2) submissions received and both were found to be compliant.

Contractor / Proponent	Recreation Complex (exc. HST)	Skatepark (exc. HST)
Pomerleau Inc.	\$59,202,060.00	\$702,208.00
Lindsay Construction Limited	\$57,579,000.00	\$724,000.00

The high demand for qualified general contractors and sub-trades in the New Brunswick construction market resulted in two pre-qualified general contractors not submitting bids. This increased competition for available sub-trades to perform the work with the remaining contractors. The pricing received aligns with market conditions evidenced across other projects and the two bids being within 2.75% of each other.

Opinion on Costs: A costing review has been completed, given a 26% increase in costs observed between the Class A estimate (October 2023) and the tender results (May 2024). Key points include:

- **Material Costs:** Significant price increases for essential construction materials like steel, lumber, and concrete due to supply chain disruptions, increased demand, and inflation.
- **Labour Rates:** A shortage of skilled labor in Atlantic Canada has led to higher wages and benefits, significantly increasing overall labor costs for the project.
- **Market Dynamics:** High project demand and limited supply of qualified contractors in New Brunswick have pushed project costs higher due to less competition and increased competition for resources. In terms of recreation projects alone, there are over four large-scale projects in New Brunswick.
- **Escalation Contingency:** The Class A estimate did not account for potential cost escalations as the industry could not accurately provide a prediction in the current market.
- **Specific Cost Increases:** Notable cost increases in the pool, earthworks, exterior siding, and general contractor fees, partly due to difficulties in finding specific trades (ie. siding installers).

Cost Reduction: Following notification to the proponents, the Town engaged in a collaborative cost negotiation process with the lowest compliant bidder. This process included a constructability review of all components and the integration of comments received from the industry during the tender period (ie. alternate products, installation methods). This process has resulted in a savings of close to 2.75% of the tender result across numerous design modifications without an impact to the complex's programming elements.

Cumulative Savings: The design team has applied principles of cost optimization to each project phase presented to Council to ensure the project's success, balancing constructability, resiliency and affordability. Below are some of the cost saving techniques utilized during the design phases:

- Project 'Right-Sizing': Studies such as the Community Needs Assessment and Wellness Centre Feasibility Study guided the project scope to address community needs without incorporating unnecessary spaces
- Material Selection: Focused on finding durable materials that provide value without compromising functionality; prioritized availability as a cost-saving strategy.
- Cost Optimization: Designed elements to reflect purpose and function, removing unnecessary features to save costs.
- Market Volatility: Considered inflation and world events that affect material and labor pricing; used a Request for Qualification process to assess market interest and received positive feedback.
- Refined Cost Estimates: Continuously refined cost estimates as the project developed, though final prices were only known after the negotiation process.

Decision Required: Council must now consider awarding the tender, which would see the Town enter a contract with the lowest bidder to proceed with construction of the project, scheduled to begin in July 2024. This decision can now be made with key project factors determined, including market volatility, supply chain constraints, and the overall impact on the ten-year capital plan.

Council is presented with three options for consideration:

1. Award the Project Tender: Approving the tender and updating the project budget to proceed with construction. This option ensures the facility meets community needs, avoids further delays, and maintains the integrity of the original design.
2. Reduce Scope/Redesign: Revising the project scope to reduce costs. Altering the project's size and functionality is anticipated to cause delays, introduce uncertainties, and require revised funding allocations, posing risks to the project's success.
3. Cancel the Project: Terminating the project resulting in the loss of sunk costs and future benefits. While this action would eliminate future costs, it would also necessitate continued spending on the aging assets, potentially lead to a loss of services, a loss of past funding received (~\$1.1M) and require future decisions regarding the replacement or renovation of existing infrastructure.

FINANCIAL CONTEXT

Town Council continues to review and update the Town's ten-year capital and financial plan on an annual basis, including a review of revenue assumptions and proposed capital expenditures to ensure the Recreation Complex fits within the Town's overall financial parameters. As part of this process, Council has built up capital reserves and reviewed required funding from the Federal/Provincial Governments.

Below is a summary of the projected expenses and funding sources for the Riverview Recreation Complex. The ten-year capital plan incorporates these figures to ensure the project is financially feasible and aligns with the Town's long-term fiscal strategy.

Construction Cost, excluding HST	\$58,303,000.00
Negotiated Savings	(\$1,600,000.00)
Non-Refundable HST	\$ 2,432,558.70
Total Tender Cost	\$59,135,558.70
Ancillary Soft Costs <ul style="list-style-type: none">• <i>Remaining Design & Project Management Services (committed)</i>• <i>Stormwater Retention System (pending tender)</i>• <i>Furniture, Fixtures, Equipment (pending tender)</i>• <i>Construction Contingencies (as applicable)</i>	\$5,724,441.30
Total Project Budget	\$ 64,860,000.00
Projected Funding from External Sources	\$28,176,820.00
Amount to be Covered by Town's Capital Plan	\$36,683,180.00

GENERAL CONSIDERATIONS

Legal/Policy: N/A

Financial: The RRC Project was one of the key priority actions for this proposed facility approved by Council with the approval of the 2024 budget. Project has impact on 2024 through 2026 capital budgets.

Stakeholders: Residents, Community Groups, and interdepartmental consultation with Finance and Information Technology

Strategic Plan: *Building a Sustainable Community* – Action - Build the Riverview Recreation Complex before the end of Council's term.

Communication Plan: N/A

Recommendation of Staff: Staff recommend that Town Council award tender #24-34: Riverview Recreation Complex Construction to Lindsay Construction Limited in the amount of \$56,703,000 plus HST and authorize Mayor and Town Clerk to sign all related documentation.

David Shea, Director

Colin Smith, CAO